



IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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| Patent Application |) | <u>PATENT APPLICATION</u> |
| Inventor(s): Liu, Ching Yiu |) | |
| Serial No.: 10/719,675 |) | Examiner: Castellano, Stephen J. |
| Filed: November 21, 2003 |) | Art Unit: 3742 |
| Title: Ceramic Metallic Liquid |) | |
| Holding Vessel |) | |

DECLARATION RESPONSIVE TO OFFICE ACTION MAILED
OCTOBER 18, 2005, IN SUPPORT OF NONOBVIOUSNESS

1. I, Matthew J. Fildes, am the Product Development Manager for Pacific Cornetta, Inc. (PCI), and I hereby declare the following.

2. PCI has a business address of 18280 SW 108th Ave, Tualatin, OR 97062, and is the assignee of the above-identified patent application (the '675 application).

3. The '675 application has a filing date of November 21, 2003, and claims priority on U.S. provisional patent application number 60/515,167 which has the **same title and inventor** as the '675 application and was filed on October 27, 2003.

4. The '675 application includes independent claims 1,12,15,22 and 26. Claims 1, 12, 15 and 22 respectfully recite:

1. A double walled fluid holding vessel, comprising:
a metallic lining having a wall and a bottom configured for holding a fluid; and
a ceramic shell having a shell wall provided substantially about said metallic lining, said ceramic shell being configured to define a bottom located through opening.

12. A double walled fluid holding vessel, comprising:
a first member formed substantially of a metallic material and configured to hold a liquid; and
a second member formed substantially of a ceramic material and positioned at least in part around said first member;

wherein said metallic first member includes a lip that extend at least in part over a top edge of said second member so as to be visible in a side elevation view of said vessel.

15. A double walled fluid holding vessel, comprising:
a metallic lining having a wall and a bottom configured for holding a fluid; and
a ceramic shell provided substantially about said metallic lining; and
a seal member provided at a top region of said vessel that forms an air and water tight seal between said lining and said shell;

wherein said ceramic material includes one or more materials from the group including porcelain, stoneware, earthenware and glass; and

wherein said metallic lining is configured in a manner that does not include coupling to an induction heating electrode.

22. A double walled fluid holding vessel, comprising:
a metallic lining having a wall and a bottom configured for holding a fluid;
a ceramic shell provided substantially about said metallic lining; and
a metallic base member provided at a base region of said vessel and fixedly coupled to at least one of said shell and lining.

PCI manufactures ceramic metallic drinking vessels ("ceramic metallic products") that fall within the scope of one or more of these claims. One of these is referred to as the Pearl and a copy of an advertisement illustrating this ceramic metallic product is attached as Exhibit A.

5. In carrying out my responsibilities as Product Development Manager for PCI, I have become aware of several entities that have introduced or attempted to introduce ceramic metallic products.

6. I have become aware of a ceramic metallic product made by ABODE/Sanyei ("Abode") and offered at the International Home and Housewares Show in Chicago, IL, in March, 2005. This product was also advertised in the March 21, 2005, issue of Home Furnishing News. A copy of the page advertising this Abode ceramic metallic product is attached as Exhibit B. Exhibit B illustrates a ceramic metallic product that comprises a metallic lining first member a ceramic shell second member and that "said metallic first member includes a lip that extend at least in part over a top edge of said second member so as to

be visible in a side elevation view of said vessel" (as recited in claim 12). Exhibit B also illustrates "a metallic base member provided at a base region of said vessel and fixedly coupled to at least one of said shell and lining" (as recited in claim 22).

7. At the International Home and Housewares Show of March, 2005, PCI became aware of a ceramic metallic product made by Drinkware of America ("Drinkware"). The Drinkware product resembled PCI's Pearl product, having a metallic lining and a ceramic outer shell. Drinkware was sent a letter informing them of PCI proprietary interest and the existence of the '675 patent application and Drinkware agreed to cease sale of their ceramic metallic product.

8. At the International Home and Housewares Show of March, 2005, PCI became aware of a ceramic metallic product made by Marketing Impact, Inc. ("MII"). The MII product resembles PCI's Pearl product, having a metallic lining and a ceramic outer shell. MII was sent a letter informing them of PCI proprietary interest and the existence of the '675 patent application and MII agreed to cease sale of their product.

9. In May, 2005, at the Housewares Show in Las Vegas, PCI became aware of a ceramic metallic product made by EBI/Euro-biz, Inc. ("Euro-biz"). Euro-biz was sourcing their ceramic metallic product from Gerber Far East, PCI's initial manufacturer which is now claiming an unspecified contribution to the invention of the '675 application (see paragraph 11 below). Euro-biz stated that they would not purchase ceramic metallic product from Gerber or PCI until the issue of inventorship was resolved and ownership of the ceramic metallic product ascertained.

10. PCI introduced ceramic metallic products in 2003. The ceramic metallic products of Abode, Drinkware, MII, and Euro-biz were introduced after PCI's introduction. Abode, Drinkware, MII, and Euro-biz are not assignees of PCI. PCI regularly attends tradeshow in the domestic products industry and had not previously become aware of any

ceramic metallic products made by another entity prior to the development and introduction of PCI's ceramic metallic products.

PCI's Sales of Ceramic Metallic Products

11. PCI initially contacted Gerber Far East ("Gerber") to manufacture their ceramic metallic products. As part of the proposed manufacturing agreement, Gerber was given rights to sell PCI's ceramic metallic products in Europe. When sales in Europe proved softer than in the U.S., Gerber began to assert a claim to inventorship of PCI's U.S. patent application, the '675 application, in order to legally sell their ceramic metallic products in the U.S. Gerber has yet to specify who from Gerber contributed to the invention, state what was the inventive contribution or present evidence of the alleged inventive contribution. Notwithstanding Gerber's lack of specificity or evidence, their unsupported allegations have created a "cloud over ownership" that has chilled sales of the ceramic metallic products. For example, Euro-biz, discussed in paragraph 9 above, has announced that it is not buying ceramic metallic products until the inventorship issue is resolved. Thus, in viewing PCI sales as a measure of commercial success, PCI's sales should be viewed in light of the chilled market that the inventorship dispute has created.

12. In addition, PCI initially used Gerber as its manufacturer (from late 2003 through early 2004). Gerber's production, however, was not reliable or timely, forcing PCI to find and train a new manufacturer. This was a critical break in the supply chain for a new product moving from initial trade show introduction to regular commercial production and, like the chilling effect caused by disputed inventorship, suppressed market performance.

13. PCI releases approximately 10-20 products a year, and removes a related number of products from its portfolio so that the total number of products offered for sale remains predictable and manageable. Benchmarks for whether a product is successful and, therefore, remains in the PCI portfolio include (1) \$30,000/year in sales, (2) margins of 45-50%, and (3) a sales volume of 5000 pieces.

14. By Summer, 2004, PCI had found and trained a new manufacturer and in August, 2004, resumed production. For the first year of sales or until August 2005, PCI sold two versions of ceramic metallic products, the MC3984 and the MC3985. For this period, gross sales (to resellers) of the MC3984 totaled \$108,860.11 on a sale of 15,337 pieces with a gross profit margin of 56% (gross minus manufacturing and shipping). For the MC3985 for this period, gross sales totaled \$80,511.07 on a sale of 7,911 pieces with a profit margin of 45%. ***The combined sales figures are gross sales of \$189,371.18 on a sale of 23,248 pieces at a profit margin of over 50% for the first full year of product sales.*** Thus, PCI's initial sales of its ceramic metallic products have far exceeded PCI's product benchmarks, even in a market environment chilled by an ownership dispute and supply disruption.

15. Target department stores, one of the largest department store chains in the U.S. (with over 1,100 stores), will offer PCI's ceramic metallic products in all of their stores beginning in late February, 2006. In the last three months, Target has ordered 29,200 pieces of PCI's ceramic metallic products.

Comparison to Related Product

16. For comparison, the most closely related product released by PCI during this time period was the MC6281, a double walled desk top cup with a loop handle and a lid recessed below the stainless steel rim. Exhibit C illustrates this product. Both the MC6281 and PCI's ceramic metallic products are desktop cups. The MC6281 was released in April 2004, and during its first year, or until April 2005, gross sales totaled \$36,997.86 on sale of 7032 pieces with manufacturing and marketing costs of \$18,599.48 for a margin of approximately 49%. While this product also met PCI successful product standards, sales of the PCI ceramic metallic products greatly outpaced sales of this product. It should also be recognized that this product, the MC6281, is PCI's most closely related product releasing at substantially the same time and its market was not depressed by a dispute over inventorship or a significant disruption in supply chain.

17. I hereby declare that all statements made herein of my own knowledge are true and that all statements made on information and belief are believed to be true, and further that these statements were made with the knowledge that willful false statements and the like so made are punishable by fine or imprisonment, or both, under Section 1001 of Title 18 of the United States Code and that such willful false statements may jeopardize the validity of the application or any patent issuing thereon.



Matthew J. Fildes

March 16, 2006
Date